GOVERNMENT OF INDIA
POWER
LOK SABHA

UNSTARRED QUESTION NO:1972
ANSWERED ON:28.07.2016
Cost of Hydro Power Generation
Sawaikar Shri Advocate Narendra Keshav

Will the Minister of POWER be pleased to state:

(a) whether the cost of hydropower generation in the country is high and if so, the details thereof;

(b) whether State Governments are reluctant to buy hydropower due to its high cost, if so, the details thereof; and

(c) whether the Government proposes to set up an Expert Committee to review the tariff with a view to find out the ways of reducing the tariff, if so, the details thereof?

Answer

THE MINISTER OF STATE (INDEPENDENT CHARGE) FOR POWER,
COAL, NEW & RENEWABLE ENERGY AND MINES

(SHRI PIYUSH GOYAL)

(a) & (b) : The tariff of new hydro generating station is relatively higher as compared to the new coal based power station in initial years of operation as tariffs are front loaded in hydro power stations. Over life time of the thermal plant, the cost of generation varies depending on cost of coal, O&M etc. whereas the tariff of hydro station does not change significantly. In fact, the tariff of hydro power stations normally decreases over a period of time due to the effect of depreciation and no cost of fuel. The high tariff of hydro generating station in initial years is due to high capital cost which loaded in / accounted for in the initial 12-15 years of the project and longer time taken in execution of project due to various reasons viz. environment and forest clearance, uncertain geology, rehabilitation and resettlement issues etc. Owing to the above, some of the States have shown reluctance to buy power from hydro projects on cost plus basis.

(c) : Such proposal is not under consideration in the Ministry. Revised Tariff Policy notified on 28th January, 2016, the following initiatives, inter-alia, have been taken to reduce the tariff:-

â€¢ Certainty of long term Power Purchase Agreement (PPA) for minimum 60% capacity, balance through merchant sale-Provision for extension of PPA beyond 35 years for further 15 years.

â€¢ Developer provided with the option of charging lower rate of depreciation vis-Ã -vis the ceiling determined by the Commission to give flexibility in tariff fixation.

â€¢ Hydropower excluded from Solar Purchase Obligation.

â€¢ Provision of debt financing of longer tenor.

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